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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of

Revised Universal Service Worksheet,
FCC Form 457

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CC Docket Nos. 97-21, 96-45
DA No. 98-1519

**GTE COMMENTS IN SUPPORT OF
PETITIONS FOR RECONSIDERATION**

Dated: September 10, 1998

GTE Service Corporation and its affiliated
domestic telephone operating, wireless, and
long distance companies

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Their Attorneys

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**GTE COMMENTS IN SUPPORT OF
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GTE Service Corporation and its affiliated domestic telephone operating, wireless and long distance companies¹ (collectively, "GTE") respectfully submit these comments in support of the petitions for reconsideration filed by the Personal Communications Industry Association ("PCIA") and Metrocall, Inc. on August 31, 1998, in response to the Public Notice ("Notice") in which the Accounting Policy Division ("Division") issued a revised Universal Service Worksheet, FCC Form 457 and revised Worksheet instructions.²

¹ These comments are filed on behalf of GTE's affiliated domestic telephone operating companies, GTE Wireless Incorporated, and GTE Communications Corporation, Long Distance Division. GTE's domestic telephone operating companies are: GTE Alaska Incorporated, GTE Arkansas Incorporated, GTE California Incorporated, GTE Florida Incorporated, GTE Hawaiian Telephone Company Incorporated, The Micronesian Telecommunications Corporation, GTE Midwest Incorporated, GTE North Incorporated, GTE Northwest Incorporated, GTE South Incorporated, GTE Southwest Incorporated, Contel of Minnesota, Inc., and Contel of the South, Inc.

² GTE's comments in no manner prejudices its positions set forth in its appeal of the Commission's universal service order. See *Texas Office of Public Utility Counsel v. F.C.C.*, No. 97-60421 (5th Cir.) ("*Texas Ofc. Of Pub. Util. Counsel*").

I. INTRODUCTION AND SUMMARY.

PCIA and Metrocall each filed a petition seeking prompt reconsideration of the Division's decision to add a new Line 48 to FCC Form 457. GTE agrees with these parties' claim that including the revenues derived from charges assessed on end-users to recover contributions to state or federal universal service support mechanisms in the contribution base to calculate the federal universal service contribution obligations of the reporting parties amounts to an unfair double recovery that is inconsistent with Section 254 of the Telecommunications Act of 1996 ("Act").³ GTE has consistently advocated that all carriers, including price cap and rate-of return local exchange carriers ("LECs"), should recover their universal service contributions through a competitively neutral end user surcharge. However, regardless of the method of recovery employed, it is totally inappropriate for the Division to include each carrier's recovery of its universal service contribution in the revenue base used to calculate federal universal service contribution factors.

II. THE AMOUNT REPORTED ON LINE 48 SHOULD NOT BE INCLUDED IN THE CONTRIBUTION BASE TO CALCULATE THE FEDERAL QUARTERLY CONTRIBUTION FACTORS.

It is reasonable and equitable for customers and carriers alike, that each carrier should recover its universal service contribution from its customers in a competitively neutral manner. GTE would not be opposed to identifying the amount a carrier recovers from its end users on Line 48 of FCC Form 457 as end user revenue that is **not** included in the contribution base. If applied correctly, the amount a carrier collects in recovery does no more than offset its mandatory contribution to federal and state

³ PCIA at 3; Metrocall at 9.

universal service funding mechanisms. However, GTE does object to including Line 48 in the federal calculation that derives the quarterly universal service contribution factors. As PCIA illustrates (at 3), including Line 48 in the subtotal of revenue from which the contribution factor is derived creates a circular formula that only drives up each carrier's contribution amount which, in turn, increases the amount end users must contribute.⁴

Implementing a mandatory end user surcharge is the simplest and most equitable way of achieving competitive neutrality. A separate end user surcharge is also readily identifiable and for the Division's purposes, more easily auditable than other mechanisms that incorporate the carrier's recovery of its universal service contribution into end user rates.

III. CONCLUSION

GTE urges the Division to reassess its decision to include Line 48 in the contribution base upon which it calculates the quarterly universal service contribution factors. The Division must ensure that artificial market distinctions are not an inadvertent result of its decisions affecting the universal service contribution and support mechanisms. By including the amount each carrier is entitled to recover in the revenue base upon which the quarterly universal service contribution factors are calculated, the Division artificially impacts not only the quarterly factors by increasing the amount each carrier must contribute to the federal universal service funds, it also increases the amount each carrier must then seek to recover from its own customer base.


⁴ There is a second-order effect when the amount built into each carrier's rates to recover its contribution becomes new gross revenue, which in turn affects the calculation.

Dated: September 10, 1998

Respectfully submitted,

GTE Service Corporation and its affiliated
domestic telephone operating, wireless, and
long distance companies

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Certificate of Service

I, Ann D. Berkowitz, hereby certify that copies of the foregoing "GTE Comments in Support of Petitions for Reconsideration" have been mailed by first class United States mail, postage prepaid, on September 10, 1998 to all parties of record.



Ann D. Berkowitz